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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of	)	
	)	
1997 Annual Access Tariffs	)	CC Docket No. 97-149
	)	
GTE TELEPHONE OPERATING COMPANIES	)	
TARIFF FCC NO. 1	)	Transmittal No. 1100
	)	
GTE SYSTEM TELEPHONE COMPANIES	)	
TARIFF FCC NO. 1	)	Transmittal No. 210

GTE's REBUTTAL

GTE Service Corporation on behalf of its affiliated GTE Telephone Operating Companies and the GTE System Telephone Companies

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September 24, 1997

THEIR ATTORNEY

Before the
FEDERAL COMMUNICATIONS COMMISSION
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1997 Annual Access Tariff Filings	)	CC Docket 97-149
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REBUTTAL OF GTE

GTE Service Corporation ("GTE"), on behalf of its affiliated GTE Telephone Operating Companies ("the GTOCs") and the GTE System Telephone Companies ("the GSTCs"), hereby submits its Rebuttal to the Comments filed by American Telephone and Telegraph Company ("AT&T") and MCI Telecommunications Corporation ("MCI") filed on September 17, 1997 in response to GTE's Direct Case in the investigation initiated in the Designation Order, DA 97-1609, released July 28, 1997, regarding the 1997 Annual Access Tariff Filings. GTE responds herein to issues relating to Common Line Costs and Other Billing and Collection Expenses ("OB&C").

COMMON LINE COST ISSUES

As shown in its Direct Case, GTE's interstate BFP revenue requirement forecasts when compared with actual data over the last five tariff years have been shown to be within reasonable limits. The Designation Order (at ¶17) suggests that a difference between the BFP revenue requirement projection and the actual BFP revenue requirement projection would be significant if the projected year-to-year percentage change is greater than or less than 10 percent of the actual year-to-year percentage change. By relying on percentage changes and comparing the projected percentage change and actual percentage change, however, the range of permissible variance is extremely restrictive. A forecast could fail the threshold of significance while still being a very accurate prediction of actual levels. For example, as shown in Exhibit A-8 of the GTE's Direct Case, in the tariff period of 1994-1995, the difference in the actual BFP revenue requirement from the previous tariff period was 2.29% (line 12, column N). Using the Commission's methodology, the projected percentage change would have to have been within the range of 2.06% to 2.52%. As shown on line 13 of the Exhibit, the projected percentage change was 1.55%, below this range. Yet, as shown on line 14 of the Exhibit comparing the projected BFP with the actual BFP, the difference between the projected and the actual BFP revenue requirement was quite small, only 0.73%.

Because it is an unreasonably restrictive evaluation, GTE continues to urge the Commission to abandon this formula for evaluating forecasts. Instead, the Commission should use a simple comparison of actual and projected data. Actual performance is most relevant in judging whether a projection or estimate was reliable. Although the LEC obviously does not have the benefit of future tariff year data when the tariff is filed, in hindsight, actual data clearly verifies the accuracy of a past projection. For future filings, GTE also advocates the use of actual (historical) interstate data in lieu of projecting the interstate BFP revenue requirement.

In their Opposition, AT&T (at 10) and MCI (at 5) argue that price cap LECs have consistently underestimated their BFP revenue requirement and consequently have imposed improperly inflated CCL charges on IXCs. As shown in GTE's Direct Case (at 11), however, the composite variance between the actual tariff year interstate BFP revenue requirement and the projected tariff year interstate BFP revenue requirement for GTE's most recent five tariff years for which data is available is only 1.5%. Recognizing that the projections are just estimates for a time period of at least fifteen months into the future, GTE believes this 1.5% variance from actual is a reasonable margin of error for projecting interstate BFP revenue requirement. Moreover, in two of the five tariff years between 1991-1992 and 1995-1996, GTE's projection of BFP revenue requirement was actually higher than the tariff year actual BFP revenue requirement calculated based upon ARMIS 43-01 data as directed in the Designation Order.

AT&T (at 11) argues that proposing the use of actual results in place of projections are irrelevant to this investigation. However, the Designation Order (at ¶25) requested comments from the LECs on methods proposed by the Commission or any other alternative methods for determining BFP revenue requirements. As stated in its Direct Case, GTE advocates the use of the most current calendar year actual interstate EUCL demand and BFP revenue requirement in place of performing a projection or forecast of interstate EUCL demand and BFP revenue requirement. Using actual data provides several advantages: 1) removes the last requirement for projecting or forecasting of EUCL demand and revenue requirements, 2) avoids projection methodologies, trend rates, forecasting techniques, adjustments to historical data, error correction methods or investigations relating to such, 3) uses the calculation of actual data which is already required for company use, as well as ARMIS reporting, and 4) eliminates the need for a true up mechanism since the true up would automatically occur with the next tariff filing.

MCI, in its Attachment B ("Report Cards"), provides its method for measuring the accuracy of the previous forecasts. MCI did not prepare a "report card" for GTE using its analysis. Since the EUCL has been at the cap for the majority of GTE study areas, even if the interstate BFP revenue requirement projections had been too high, GTE would have received no more revenue from end users.

AT&T argues that GTE's actual interstate BFP revenue requirement shows that its projected interstate BFP revenue requirement was seriously underforecasted. However, by failing to properly adjust for USF in Appendix C page 3, AT&T improperly compares GTE's actual interstate BFP revenue requirement and the projected interstate BFP revenue requirement and shows that these are further apart than what they actually are. GTE explained in its Direct Case (at 4) that in order to perform a valid comparison of actual BFP revenue requirements to projected BFP revenue requirements, the actual data required adjustment to remove the effect of USF. USF data is included when the revenue requirement is calculated based upon ARMIS 43-01 data. However, USF data was not included in the projection data. Thus, the data, adjusted for USF, was provided on line 10 of Exhibit A-8 following the unadjusted data on line 9. This is the same exhibit AT&T used in creating their Appendix C. As displayed in the Direct Case and stated above, when a comparison of the actual data and the projected data for the most recent five tariff years is performed, the composite GTE variance is 1.5%.

If the Commission should decide to use historic trends for projecting interstate BFP revenue requirement, GTE urges the Commission to either limit the number of historic points or develop a manageable method of adjusting prior years data for the effect of future rule changes. With the number of new rule changes and reform activities on the horizon, it is unduly burdensome to require LECs to continually update historic data for the effect of future rule changes. This requirement creates an administrative burden, retains the existing problem of LECs with different methodologies for calculating or performing the adjustments, and defeats the deregulatory intention of the 1996 Telecommunications Act. Thus, GTE advocates the use of the most recent calendar year actual interstate BFP revenue requirement and EUCL demand.

OTHER BILLING AND COLLECTION ISSUES

As shown in its Direct Case, GTE's exogenous adjustments for OB&C expenses are reasonably based and reflect all primary and secondary impacts of the Commission's rules. GTE provided the message counts used in allocating the message toll portion of OB&C expense between the interstate and intrastate jurisdictions (Exhibit C-2) and explained the process by which the messages were counted (at 21). GTE represented that no messages were excluded (at 22). This message count included all messages for which GTE performed full billing functions, but did not include invoice-ready messages.[1]

GTE agrees with Pacific Bell that it is not appropriate to include invoice-ready messages in the message count used to allocate OB&C expense. Invoice-ready billing is a dramatically different service and does not include the recording, rating and accumulation functions usually involved in billing and collection for the IXCs. The expenses associated with invoice ready-billing are therefore only a portion of the expenses incurred by the LEC for message-ready billing services. Also, the costs related to invoice-ready billing are not directly correlated to message counts. If invoice-ready messages were to be included in the allocation of OB&C expenses, invoice-ready messages would be given the same weighting as messages for which the LEC performs the recording, rating and accumulation functions. Obviously, the costs associated with invoice-ready services are lower than those associated with message-ready services.

If the Commission, nonetheless, determines that invoice-ready messages should be included in the allocation of OB&C expense, it must also apply a proper lower weighting to invoice-ready messages.

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[1] GTE identified and extracted the messages used to allocate the message toll portion of OB&C (SPRC messages) from the toll billing system. No messages were excluded from the total extracted or those used in the allocation of the message toll portion of OB&C expense between the interstate and intrastate jurisdictions. Invoice-ready messages were not in the billing system at the point the extraction for the message count was performed.

CONCLUSION

Based on the foregoing and GTE's Direct Case, GTE's interstate BFP projections are reasonable, especially when comparing the results of actual to projected data for the last five tariff years and that the exogenous impacts associated with the Commission's rule change on Other Billing and Collection Expense has been properly calculated.

Respectfully submitted,

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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Rebuttal of GTE" have been mailed by first class United States mail, postage prepaid, on September 24, 1997 to the following parties:

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